



INSIGHT on Coinage

Institute for Applied Numismatics and Research
P.O. Box 65494, Washington, DC 20035

EDITORIAL

Number 14

Last month, I wrote about the National Coin Collectors Association. That organization no longer exists. When I first heard of this new group for collectors, my initial reaction was, WHO NEEDS IT, we already have the American Numismatic Association. Twenty years ago, I remember having this same reaction when I went to work for the INS Authentication Bureau. Why did we need a membership society (INS), similar to ANA, to operate an authentication lab? We were already ANA members!

According to its founder, NCCA was a victim of collector apathy. A phone-in question /answer line was hardly used and then by the same three people. Requests for ideas were ignored. I could go on, but my point is this: One more person discovered what I finally learned, "you can't fight City Hall" and also, as with most organizations, a few active people serve the many. That's why my newsletter is a hobby; and there's no membership group connected with the Institute for Applied Numismatics.

There's a hard core group of true numismatists in this country, men like the original founders of the ANA. Many are famous while others are virtually unknown to a majority of us, yet they know as much as their more famous counterparts. Close to this core are the collectors who strive to know as much as these men. Examples of this group include those who read this newsletter as well as books and technical articles in the national publications, and many members of coin or specialty clubs including the now defunct NCCA. The rest of our hobby includes the tens of thousands of coin accumulators and many dealers who consider that they are knowledgeable about coins because they just got a good buy on a roll of circulated dollars.

The small number of true numismatists cannot support a large number of organizations. The rest don't care. Perhaps, the next new group which tries to capture a slice of the collector membership market will consider this and work its agenda within a well-established collector organization such as the ANA.

One of my subscribers and former students has written to say he has a number of reconditioned stereo microscopes available. I've seen examples of his prices and highly recommend you call Walt Wienzek during the day at (617) 270-9100 if you are in the market for a good microscope.

TOO HOT TO HANDLE

In the last Insight, I explained the discovery of the "Omega" High Relief counterfeit at ANACS. You'll remember that the Director, confirmed my discovery and "named" the fake after an unusually shaped defect I had found on the reverse. There remained only one more step for us in order to put the final "nail-in-the-coffin" as we say.

We needed to alert the authorities at the U.S. Department of the Treasury about the existence of such an outstanding fake and at the same time make certain that they agreed with our conclusions. A laboratory section of the Treasury Department was the final authority on the authenticity of U.S. coins. Whatever they said would stand up in court as the opinion of the Mint which produces U.S. coins!

Now this was a very delicate and touchy undertaking for us at the time. It wasn't as if we could walk right in, show them a "new" fake coin and expect to take it back out of the building. If they agreed with our findings, that the coin was a counterfeit, it would be confiscated on the spot. Once, agents even came into the ANACS lab to seize an altered coin when they were alerted that we had it! I'll save the details about reporting the fake, and the story of our relationship with various branches of the government (including the Oval Office) for another article. For now, all I'll divulge to you is that the Government agreed the "Omega" coins were bad; and we returned them to their owners.

Soon after this, we received a few angry calls from dealers for causing lost sales. They also questioned why we had called their coins fakes. We answered as best we could at the time without revealing any specifics about our newly discovered microscopic diagnostics such as the wormy tool marks and circulation damage to relief areas. One marker we reported, which could indicate that a MCMVII coin MAY be counterfeit and should be checked, was a spike die scratch on the L of Liberty. Perhaps we were wrong by not answering our detractors questions, and maybe even paranoid, but you must understand our reasons. We were already pioneers, at the leading edge of the science of U.S. coin authentication. Now, after these fresh, new discoveries, less than half a dozen people even came close to us and two of them worked for the government! As such, we were worried. Was the "Omega" fake alone or had other state-of-the-art counterfeits infiltrated numismatics? Had ANACS ever authenticated any fakes in addition to the one Irish coin that had caused quite a stir with European collectors before I had been hired? As it was, we kept things undercover and took the "heat" until the 1974 ANA Summer Seminar when I taught our "new" method of authentication to students and a guest.

Most of the "heat" came from New York, where the word started to spread that ANACS was ruining the hobby again with its erroneous opinions. We listened to this abuse, smug in the knowledge that we were right and they were wrong. Our standard reply to our detractors was to send their MCMVII coin to the Secret Service for a second opinion, knowing all along that it would be confiscated and melted!

At least one dealer had another idea. Unknown to us at the time, he sent one of the country's leading numismatic researcher's on a special trip to Washington in order to view the High Relief coins in the National Collection at the Smithsonian Institution. He carried at least one of the questionable High Relief coins with him for comparison purposes. The theory was this: If he were able to find a known genuine High Relief coin, stored in the Smithsonian Collection for dozens of years before the "Omega" coins surfaced, which matched the same dies as the controversial coins, he could prove that ANACS was wrong and that the "Omega" coins were genuine! For this important business, Dr. Stefanelli, the Curator of the Numismatic Department, arranged to open his office on a weekend, complete with special guards, so the visitor could do the comparison work. [I like to wonder how much money this little escapade cost the dealer but only three people knew for sure - and two of them are dead. This trip is one the intrigues which gives numismatic history its color.]

I first learned of this trip about a month after it was completed. ANACS received a copy of the Rare Coin Advisory, a newsletter published by the dealer responsible for the comparison trip. Inside were results of the "expert's" trip and much of the background information I have related. The controversy over the "Omega" coins was heating up.

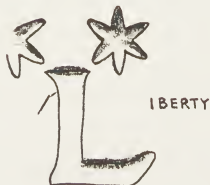
NOTE: Those interested in obtaining a seven page reprint giving the complete background and details of the researcher's special trip to the museum plus his findings, including drawings and a descriptive list of all the die varieties of High Relief coins in the National Collection along with his diagnostics of the "Omega" coin, may send a check or money order for \$6 to F. Pazzari. Request "Breen's Report".

After reading the researcher's report, I was extremely angry. In the final two paragraphs, the researcher expressed the following: "Having no financial interest in these coins, but only concern for ascertaining, for once and for all, the truth about the controversial pieces, I was delighted with the success of this piece of numismatic detective work, success beyond my wildest imaginings.

"Accordingly, collectors from now on need experience no further anxiety about their specimens of the MCMVII twenties showing the spine from the L. As of the present writing there is no ground for continuing to perpetuate any such claim as ANACS's that all are counterfeit. The MCMVII coins appearing at the Washington ANA Convention may be taken as reaction to the sudden rise in prices of these coins. I do not altogether exclude the possibility that counterfeits could exist; but I have managed to establish that genuine coins do exist with the telltale spine down from L of LIBERTY, with different reverse dies."

As I said before, this report made me angry! So much so that I can still recall my initial reaction after reading his conclusion at the end of the report: "Of course they do you _____, the counterfeiter was able to pick-up that diagnostic (spine L) on his counterfeit dies!" So all that the expert researcher had proved by this trip, was that the counterfeiter used the obverse of at least one genuine coin to make the dies for his fake, BIG DEAL! Besides, ANACS had never said ALL coins with the "spine L" diagnostic were counterfeit. However, the research demonstrated how good the transfer process used to make the fake dies was - even twenty years ago! My immediate reaction at the time, was to start using much more microscopic die scratches and markers found on genuine coins for diagnostics.

Diagonal Die Scratch on the "L" of LIBERTY which appears on one obverse die of MCMVII High Relief coins (genuine & counterfeit). Therefore, it cannot be used as diagnostic of ANYTHING!



You see, when a genuine High Relief coin was used as a model to make the counterfeit dies, many of the markings from the genuine coin transferred to the counterfeit. Some others did not or had a different quality to them. This formed one of the basic principals for my "Die-Scratch Method of Coin Authentication". Briefly for now, as methods for making fakes progressed from casting to striking, and then as the struck counterfeits increased to a quality far superior to anything we had seen before, as the "Omega" type; the number and fineness of the markers found on genuine coins (die scratches for instance) that could be transferred to the counterfeit also increased.

The report also allowed dealers to continue selling the controversial coins because, while it concluded that counterfeit MCMVII's could exist, it said nothing of substance about the controversial coins except that genuine coins existed with the same obverse dies. Unfortunately, the skill of the researcher in counterfeit detection was on par with a majority of EX-PERTS, major dealers, and consultants at that time. Only a few people inside the Treasury, knew how far advanced ANACS was at counterfeit detection; so the report caused problems for us at first. My pride was hurt, and I took the report and the opinion of the researcher to be a personal attack. I wanted to write my own report giving the details of how the "Omega" was discovered, diagnostics of the fake, and a general bashing of the researcher's results. The ANACS Director insisted I take a much different and wiser approach. I let the matter of the "Omega" coins rest. ANACS continued to condemn these coins as counterfeit and eventually trading in them ended.

In a future issue of Insight, I'll finish the rest of the story of why we came to believe the Omega symbol was actually a signature mark of a proud artist who made the fake coins and also why we made the correct choice by not revealing all the diagnostics on the High Relief fakes.

To be continued...

QUESTIONS AND ANSWERS

I think many of you will be interested in my reply to questions submitted to me by Byron Weston for an interview which he was sending for publication in The U.S. Coin Collector. This Journal is no longer published (see Editorial). If the name Byron Weston sounds familiar, but you can't place it, his opinions have appeared many times in numismatic publications. Is there something you wish to see changed in our hobby? Write about it, but I'll warn you that it's habit forming. Ask Byron Weston, who "blames" me for getting him started writing.

- Q: Authenticity and grade would seem to be two separate issues. How is grade tied in with authenticity?
- A: They are completely different issues and require different skills; however, for retail coin sales/commercial grading/retail, they are intertwined. No one should knowingly sell a counterfeit coin OR fraudulently altered coin (including "doctored" coins) as genuine and original.

Note: Interestingly, in dealer/dealer or dealer/customer exchanges, counterfeit or altered coins can be returned. In customer sales to a dealer, when a dealer purchases a "bad" coin, he usually must take the loss because he is the "expert" and should know how to detect a fake or alteration. In either case, there may be difficulty finding the seller.

When I helped establish the first grading service, we included an opinion of each authentic coin's grade for free. Later, when a new option for our customers was offered, our Grading Only Service, a funny thing happened. Some customers sent expensive coins in for "Grading Only" to save some money. They incorrectly figured that an authentication bureau would not grade a counterfeit or altered coin! Our Grading Only certificate stated that no opinion was given as to the authenticity of the coin. Grading services today all state that any coin they grade is authentic. It's true 99-point-something for the three major services. Mistakes do occur.

- Q: What is your definition of "eye appeal" and do you believe it should be considered separately from grade?
- A: Eye appeal is the over-all aesthetic "look" of a coin and encompasses all of its qualities including detractions. Eye appeal is also somewhat subjective. By this I mean that most people will have similar opinions of eye appeal near both extremes of ugly and beautiful. Away from these extremes, it's subjective. When you consider all the variables found on some coins such as color or toning, it gets very subjective! I believe that coins should be graded technically on the amount they vary from their "as struck" condition. Then, factor in characteristics such as strike, and eye appeal to determine a value which makes up the commercial grade. A coin's technical grade IS NOT very subjective; so there would be fewer disagreements about grading. When we add the factors which make up its commercial grade like eye appeal, strike, flash, etc., the grading becomes VERY subjective. Now, money is involved.
- Q: On early American coins, or for that matter any series, wouldn't strike characteristics of each die variety and die state have to be considered for true "pure" technical grading?
- A: No. There is a big misunderstanding about "pure" technical grading. True "pure" technical grading as was developed in the 1970's to identify coins, has absolutely nothing to do with a coin's strike. A full discussion of this appears in my newsletter. I'm doubtful that true technical grading was ever practiced at the ANACS Grading Service. Using technical grading, Colonials, early cents, clad dimes, or modern British gold can all be graded the same way - based on the amount of WEAR they receive after striking. True technical grading is easy. I don't know where, how, or when the popular misconception that technical grading ever included strike (except separately) evolved. Perhaps, it was just a case of the blind leading the blind, but it has caused enough confusion so that even today many numismatists have no idea of what "pure" technical grading really is.
- Q: What do you believe is lost in a coins description of grade when "commercial value" is figured into the grade?
- A: That's easy to answer, you don't know what the coin really looks like sight unseen. You don't know the actual condition of preservation of the coin either. Put another way, you don't know how much friction wear is on the coin! Everyone, including myself, would rather own a lustrous, unmarked, fully struck, gold coin with a trace of friction from being in a pocket, pouch, or cabinet (see most MS slab gold), rather than a "true" Uncirculated coin with no trace of wear but with bag marks. The former coin has more eye appeal/commercial value!

- Q: Do you believe that there are a substantial number of technical grade About Uncirculated coins in slabs graded within the Mint State range commercially?
- A: Yes. See above. As an expert witness, I testified in Federal Court over 90% of the gold coins in Mint State holders from the three major grading services are "technically" About Uncirculated or have been cleaned or polished out of the Uncirculated grade range. I also stated that in other series of coins this percentage varies. For the best case, Morgan Dollars, the percentage dropped to under 8%. Most Mint State silver dollar slabs held Uncirculated coins.
- Q: In a letter printed in the numismatic press you stated that a technically graded MS-65 coin may be graded MS-63 commercially. Would you say that there is a consistent pattern of lower technical grade coins grading higher commercially or higher technical grade coins grading lower commercially?
- A: You could say there is a pattern for technical graded coins in the Uncirculated ranges to grade lower commercially and a tendency for the reverse to occur in circulated coins. This occurs chiefly because of strike being factored into the numeric Mint State grade or also complicating the grading of circulated coins. For circulated coins, technical and commercial grading is very close except when commercial graded circulated coins loose grade points in cases of slight damage or especially due to weakness in striking. A great example of this occurs in the three cent nickel series. I've seen hundreds of weakly struck, mark free, AU coins graded VG to VF and priced accordingly because of the "who cares about the true-grade, it's only worth VG money attitude" of too many dealers.
- In the Uncirculated ranges, my statement in that particular letter referred to the fact that "true" technical grading as practiced at the two authentication services while I was working there, regarded strike separately from the grade. Many dealers would send problem-free coins which were not fully struck-up to be graded MS-65 when commercially these coins had a value equivalent to the MS-63 grade! We are assuming here that the coins have no friction wear. Otherwise, commercial Unc's will be down-graded to technical AU! The example I like to use for this occurred when a customer sent in the finest Mint Red 1955 Doubled Die Cent I have ever seen into the lab for grading. He had paid a hefty price for the coin. When we returned his coin, we wrote him a special letter stating that although his coin graded AU-55 technically (this grade was equivalent to today's AU-58 or 59 which did not exist then); 1) It was the finest 55/55 we had ever seen; 2) Don't bother looking for a better coin; 3) The dealer had sold him a true "gem" at a reasonable price and had not "really" over-graded the coin!
- Q: In another letter you stated that thousands of "doctored" coins were already in slabs. How big a problem do you believe this to be and do you think it will ever "go away"?
- A: Actually the number is tens of thousands. I've even seen polished, doctored AU-55+ coins in MS-67 slabs. It's still a problem but not as bad as it was from 1986 to 1989. Remember the big fuss a few years ago when dealers complained about the high reject rates at two of the major grading services? That's when the slab services first became knowledgeable about surface alterations or decided to

do something about the problem. They are still on what I like to call a "learning curve". Unfortunately for their customers, and the coin business in general, it was five years after I had been teaching my advanced seminar students how to identify the same alterations! I recently read that one of the major services is under fire again for tightening its standards and rejecting more coins. Good for them, they are still learning. The actual wear, strike, and contact mark standards may not be changing, but the graders are learning that all coins with high eye appeal may not be original! While the top three services are improving, others which I will not name, have become much more liberal, in order to expand their revenue and survive the slow market.

- Q: Do you think it possible to put technical or commercial grading standards for Mint State coins in writing so that any collector, investor, or dealer would be able to differentiate one grade from the next higher or lower grade?
- A: Partly. The standards for technical grading are already in print for grades from About Good to Mint State. They appear in the first part of Dr. Sheldon's Penny Whimsey. All that is necessary would be to rewrite the MS-60 to MS-70 grades to stress marks rather than color and strike. The basic idea for technical grading came from Dr. Sheldon. Uncirculated (MS-60): free from ANY trace of wear! The ANA made an attempt to standardize technical grading in the 3rd edition of their grading guide. Unfortunately, coins don't occur in simple linear conditions with each aspect of a coin's grade becoming lower together. For this reason, it's difficult to classify a coin with one miniscule mark (MS-69), outstanding eye appeal (MS-70), very attractive (MS-69) yet not original surface luster due to continuous hairlines from light buffing (MS-61)? I've seen gold coins like this which are graded MS-66 and higher in slabs! Sometime in the future, after coin populations and condition are better known, after third-party grading services decide artificial beauty is not as desirable as original mint surfaces, and after commercial graders realize that they must adopt tough technical standards for Uncirculated coins in order to maintain precision, I believe that commercial standards may be published. It may even take the form of a holographic grading set! The ANA Grading Guide is as close to the commercial system as we have. A column for "strike" should have been included under the criteria for Uncirculated coins in the 4th Edition to be consistent. Unfortunately, commercial grading standards continue to evolve so it's hard to print them in a guide.
- Q: Do you believe that the use of two standards, technical and commercial, has been detrimental to numismatics as a hobby, science and/or industry?
- A: This is a very complicated question to answer in a simple fashion; the answer is relative to how the standards were used and by whom. Technical grading has allowed entrepreneurs to become wealthy while they serviced the greed-driven interests of non-numismatists. It has also hurt those dealers who tried to compete with dealers who used commercial standards. On the other hand, technical grading allowed many people to avoid buying "commercially Unc sliders" and allowed many novices to begin effectively grading coins in a short period of time. Technical grading does not exist in a vacuum. It's only confusing to those who never applied it or misunderstand it.

Let's use the example of two, perfect as they left the dies, Buffalo nickels. Both can be technically graded MS-70 because they have no rub, full brilliant luster, perfect centering, no bag marks, etc.; yet, one would retail for forty dollars while the other could cost thousands because of one qualifier added to the technical grade - weak strike. The point of technical grading was to identify a coin or describe it without seeing it. MS-70 and MS-70, weakly struck enables you to visualize each coin! That's what grading should do. Let the buyer and the seller put a value on each coin. At this time, only commercial grading is used by the grading services. The fact that each service uses its own standards for grading coins is also detrimental, but the diversity between six commercial systems is often less than the diversity between technical and commercial standards.

Q: Any additional comments or insights you'd like to share with NCCA members?

A: We could discuss grading forever, it's a thought-provoking subject. Those NCCA members interested in authentication or grading, can learn much more by subscribing to my newsletter or correspondence course. I also recommend attending any grading seminars in your area. Finally, always trust your own instincts and study to make them better.

BACK TO BASICS

In this month's lead story about the "Omega" counterfeit High Relief coins, I explained how one researcher hoped to authenticate a coin by making a comparison with a known genuine coin in a museum collection. If you are playing devil's advocate in your mind as I have recommended, you should be wondering if all coins in any museum collection ARE genuine! Congratulations. All coins held in museum collections are not genuine. Often fake coins are donated as genuine and sometimes even coins have been switched in the past.

For most comparison work in the past, experts relied on such attributes as style, relief, and fabric. Many of the older reference books mention the position, relationship, and shape of parts of a coin's design to identify specific varieties. This has been carried-over into modern times. These factors combined with a coin's style, referring to its astetic eye appeal (encompassing its quality, relief, and artistry), when added to other physical qualities like its color, weight, and surface texture (fabric) give a coin its "LOOK". This is what the expert was seeking to compare during his museum trip.

Unfortunately, by 1974, some counterfeiters were so skillful that the "style method" of comparison became virtually obsolete! For this reason, we started looking at genuine coins more closely at ANACS. As soon as we did, we began to see many different characteristics on the surfaces of coins which had been mostly overlooked in the past! This month I'll explain one of these characteristics, "Die Scratches" or DS's for short.

Purists might argue that these thin, raised lines found on the surface of many coins should be called "die polishing marks" but as long as you understand what they are, I'll use our old terminology. The researcher found one of these raised scratches on the obverse of the controversial \$20 High Relief coins. A similar (but not perfectly identical) scratch was on a genuine coin in the museum so he jumped

to the conclusion that both coins were genuine. Let's examine what we know about DS's and how they are made.

For various reasons, which I shall cover in my correspondence courses, coin dies are polished. They are polished before being used, and they are occasionally polished again at different times after they are used. The important point to remember is that each time the dies are polished, scratches of varying depth and fineness occur. Naturally, this depends on the methods and materials used during polishing. These two variables have changed all through the history of coinage. A very interesting enigma, which you can observe for yourself, is the general "style" of DS's found on U.S. coins. Most low mintage specialty coins such as Commemorative Half Dollars and MCMVII High Relief coins exhibit circular DS's while regular issue coins usually always have straight, more-or-less parallel DS's. Go see for yourself! This phenomenon is so constant, that I remember making micro photo's of a Walking Liberty Half on the first occasion that I noticed circular DS's on a regular issue coin!

I like to think that one long-time mint employee was responsible for working with the dies for "special" coins such as Commemoratives and he had his own "round-about-way" of doing things. One day, when another employee was out sick, he was asked to polish a few dies for the regular series coins and that gave us something to puzzle about which is still a mystery to this day.

Since DS's are in the dies, when a coin is struck using these dies, planchet metal is forced into them causing RAISED lines on the surface of the finished coin. These lines can be used to identify die varieties, die states, and also to authenticate coins.

fig.1



fig.2





fig.3



fig.4

The photo in figure 1 shows hundreds of fine DS's on the obverse of a 1926-S Peace Dollar. This is a case where a natural perfect MS-70 coin would have a Mint caused detractor which would lower it's eye appeal and value. Figure 2 shows a large batch of much bolder DS's on a Mercury Dime. Similar large parallel DS's can be seen on the incuse type Indian gold coin in figure 3. Finally, an example of the circular style of DS's, which in this case are on an 1883 Hawaiian Quarter, are shown in figure 4.

COMING

I recently finished reading the Centennial History of the ANA. What an undertaking that set of books had to be to produce. New members of that organization, which I urge all my readers to join, may want to catch-up on a little history and read it. I'll be writing about the "Missing History of ANACS" not in those books, sometime this year in TOO HOT TO HANDLE.

In a previous newsletter, I complained that chemical cleaning didn't resemble whizzing. I showed photographs whizzed coins but not of chemically treated coins. I will rectify this soon. After all, I want to present all the evidence and let you make up your mind what is correct.

Copyright© 1992 F.M.Fazzari Enterprises. Reproduction without written permission is prohibited. This newsletter is written and published by F. Fazzari. All views expressed are the opinion of the author unless otherwise stated. Subscription: 12 issues/\$95.